



SOUTHEAST ASIA

Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam

With 117 ongoing projects, the achievement of 199% of the annual projection for contract awards and 216% of its disbursement targets, ADB is exceeding 2007 performance in the region while strengthening regional cooperation.

OVERVIEW

ADB's operations in Southeast Asia were closely aligned to Strategy 2020 and its other major policies. ADB approved 25 loans and 12 grants (30 projects) amounting to \$2.9 billion for the region. ADB also provided 77 technical assistance projects for \$93.0 million. ADB's nonsovereign approvals in the region totaled \$645.0 million plus an estimated portion of \$25.0 million from the Equity Investment in Asian Clean Energy Private Equity Funds, a regional project (Statistical Annex 10).

ADB's operations in 2008 aimed to help developing member countries institute legal and regulatory reforms, formulate and implement economic and public policy, improve urban and rural infrastructure, ensure environmentally sustainable natural resources management, and improve education systems.

ADB's operations continued to emphasize development results. All programs and projects ad-

ressed quality-at-entry and project readiness throughout preparation, rigorously monitoring portfolio indicators and identifying delays and other risk factors.

PORTFOLIO MANAGEMENT

As of 31 December, ADB had 140 ongoing loans and Asian Development Fund grants (equivalent to 117 ongoing projects), with a net amount of \$10.6 billion. ADB had achieved 199% of its annual projections for contract awards and 216% of its disbursement targets, exceeding 2007 performance by 96% and 107%. The technical assistance portfolio had 194 active projects with a total revised amount of \$284.3 million.

Advance actions and tracking systems enabled timely closure of loans and technical assistance projects and early detection of projects at risk. Improvements in the automation of performance reports highlighted problem areas. Rigorous monitoring of the portfolio continued.

REGIONAL COOPERATION

ADB strengthened cooperation within archipelagic South-east Asia (aSEA), which includes the Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP–EAGA), the Indonesia–Malaysia–Thailand Growth Triangle (IMT–GT), and the Greater Mekong Subregion (GMS). It also further improved coordination with the Association of Southeast Asian Nations (ASEAN) secretariat.

ADB supported the Third GMS Summit in Vientiane, Lao People’s Democratic Republic (Lao PDR), in March; the First GMS Economic Corridors Forum in Kunming, Yunnan Province, People’s Republic of China, in June; and the completion of the GMS regional cooperation operations business plan for 2009–2011. This plan has 39 proposed sub-regional investment projects amounting to around \$1.9 billion and nonlending products and services totaling almost \$23.0 million.

ADB intensified its assistance to subregional institutions within BIMP–EAGA and to helping the private sector communicate with development partners. Studies for streamlined customs, immigration, quarantine, and security procedures and harmonized border-crossing formalities were completed, along with a comprehensive midterm review of the BIMP–EAGA road map for 2006–2010.

ADB worked closely with the three IMT–GT countries to implement the IMT–GT road map for 2007–2011. ADB supported IMT–GT connectivity corridor development through studies on logistical costs and constraints on maritime link development. ADB also assisted the Center for IMT–GT Subregional Cooperation.

COUNTRY HIGHLIGHTS

Brunei Darussalam

Partnership priorities. The country joined ADB in 2006, but has been an active member of BIMP–EAGA since its inception in 1994. ADB approved the country’s first reimbursable technical assistance project, Development of the Capital Market and a Modernized Payment and Settlement System, in April, providing for diagnostic studies and a capital market master plan.

HIGHLIGHTS

- Proactively monitored portfolio status, resulting in a ratio of projects at risk lower than the ADB average, and contract awards and disbursements significantly above projected amounts
- Provided an emergency loan and grant of \$35 million to the Government of Cambodia and participated in a joint post-assessment of the damage caused by Cyclone Nargis in Myanmar
- Successfully leveraged resources through co-operation with other development partners, resulting in record amounts of \$1.4 billion co-financing for loan programs and \$44.0 million for technical assistance projects
- Raised regional cooperation to greater heights with a landmark third Greater Mekong Subregion (GMS) summit, which adopted a 5-year forward program of priority GMS projects to further improve connectivity and competitiveness
- Adopted the first integrated water resources management program for Indonesia and ADB using the multitranche financing facility, and the first nonsovereign loan to a private commercial bank for leasing in Viet Nam

ADB approved Brunei Darussalam’s first reimbursable technical assistance project, Development of the Capital Market and a Modernized Payment and Settlement System

Rich in oil but with declining output, the country faces limited human resources and skills; dependency on foreign contract workers; and large public sector operations, including many free or heavily subsidized services. Economic diversification and gradually decreasing the dominance of the public sector are government priorities.

Cambodia

Partnership priorities. The country strategy and program for 2005–2009 was extended to 2010 through the country

TABLE 30 Southeast Asia: Assistance by Country, 2008
(\$ million)

	Loans				Credit Enhancements			Grants		Multitranche Financing Facility ^d
	OCR	ADF	Total ADB	Official Cofinancing ^a	Guarantees ^a	Syndications ^a	Equity Investment	Grant-Financed Projects ^b	Technical Assistance Grants ^c	
Brunei Darussalam	–	–	–	–	–	–	–	–	0.6	–
Cambodia	–	53.8	53.8	7.0	–	–	–	36.9	5.0	–
Indonesia	925.0	160.0	1,085.0	–	–	225.0	–	–	13.0	500.0
Lao People's Democratic Republic	–	–	–	–	–	–	–	11.8	5.1	–
Malaysia	–	–	–	–	–	–	–	–	–	–
Philippines	940.0	–	940.0	30.0	–	–	–	1.0	9.4	–
Thailand	–	–	–	–	–	–	–	–	2.8	–
Viet Nam	631.2	158.5	789.7	517.6	–	–	–	5.2	26.9	–
Regional ^e	–	–	–	–	–	–	25.0	–	–	–
Total	2,496.2	372.3	2,868.5	554.6	–	225.0	25.0	54.9	62.7	500.0

– = nil, ADF = Asian Development Fund, OCR = ordinary capital resources.

Notes: (i) For reference to sovereign and nonsovereign approvals, see Statistical Annex 1 (Sovereign and Nonsovereign Loan Approvals by Country) and Statistical Annex 10 (Nonsovereign Approvals and Total Project Costs by Country). (ii) Loans and grants include those that are cofinanced by external sources, and fully or partially administered by ADB. (iii) Totals may not add up because of rounding.

a For reference, see Tables 4a and 4b (Direct Value-Added Cofinancing Arrangements).

b For reference, see Statistical Annex 2 (Grant-Financed Project Approvals by Country).

c For reference, see Statistical Annex 16 (Technical Assistance Grant Approvals by Country and Regional Activities).

d Multitranche financing facilities are facilities that will give rise to loans/grants. Loans/grants arising from the facilities are included under loans/grants when approved by ADB.

e Refers to the Asian Energy Private Equity Funds Project. Amount is an estimate.

TABLE 31 Southeast Asia: Grant-Financed Project Approvals by Country, 2008
(\$ million)

	ADF	Other Sources ^a	Total
Cambodia			
Road Asset Management ^b	–	4.8	4.8
Health Sector Support (Supplementary) ^b	–	1.8	1.8
Emergency Food Assistance ^b	17.5	–	17.5
Public Financial Management for Rural Development Program (Subprogram 1)	6.7	–	6.7
Public Financial Management for Rural Development Project	4.1	–	4.1
Capacity Development in Sanitary and Phytosanitary Standards (SPS) Management Systems ^b	2.0	–	2.0
Lao People's Democratic Republic			
Alternative Livelihood for Upland Ethnic Groups in Houaphanh Province	–	1.8	1.8
Greater Mekong Subregion Sustainable Tourism Development ^b	10.0	–	10.0
Philippines			
Developing Microinsurance	–	1.0	1.0
Viet Nam			
Community-Based Early Childhood Care and Development	–	1.9	1.9
Livelihood Improvement of Vulnerable Ethnic Minority Communities Affected by the Song Bung 4 Hydropower Project in Quang Nam Province ^b	–	2.0	2.0
Demand-Driven Skills Training for Poverty Reduction in the Cuu Long (Mekong) River Delta	–	1.3	1.3
Total	40.3	14.6	54.9

– = nil, ADF = Asian Development Fund.

a Officially cofinanced by external sources, and fully or partially administered by ADB.

b Grant component of a loan project.

operations business plan for 2008–2010, consistent with the national strategic development plan for 2006–2010. The operations business plan emphasizes poverty reduction through agriculture and rural development, private sector development, and intensified governance and capacity development. These priorities are aligned with the government's Rectangular Strategy II of September

2008 and the priorities of all development partners as reflected in the 13th meeting of the Government Development Partner Coordination Committee in October.

Cambodia sought and obtained emergency assistance from ADB amounting to \$35 million to help its poor population harmed by food price inflation. Continuing ADB interventions in agriculture and rural development

TABLE 32 Southeast Asia: Portfolio Performance Indicators for Sovereign Lending, 2007–2008

	No. of Ongoing Loans (as of 31 Dec 2008)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2008 (\$ million)	2007 (\$ million)	2008 (\$ million)	2007 (\$ million)	2008 (%)	2007 (%)
Cambodia	19	109.7	74.3	106.4	56.8	5.3	9.1
Indonesia	31	1,031.2	1,187.1	949.6	1,136.3	–	6.1
Lao People's Democratic Republic	17	30.9	43.7	49.1	73.9	11.8	4.3
Philippines	13	632.2	373.9	653.2	419.2	7.7	11.1
Viet Nam	39	390.5	261.0	264.6	229.9	10.3	4.8
Total	119	2,194.3	1,940.1	2,022.9	1,916.0	6.7	6.5

– = nil.

Note: Totals may not add up because of rounding.

centered on the Tonle Sap Basin, where rural poverty is most acute.

ADB supported private sector development by emphasizing the continued health of the finance sector and promoting public–private partnerships and economic diversification. ADB coordinated development partners to promote anticorruption and fiduciary risk management initiatives.

Impact of operations. The Emergency Food Assistance Project temporarily assisted the poorest families in seven rural provinces and selected urban slums. It also supported the development of sustainable emergency response systems. Beneficiaries used a robust and transparent complaints procedure reinforced by independent monitors.

Indonesia

Partnership priorities. The country strategy and program for 2006–2009 was fully aligned with the government's medium-term development plan. ADB assistance focused on macroeconomic management, infrastructure, finance sector deepening, decentralized development, education, and environmental and natural resource management.

Indonesia graduated from the Asian Development Fund at the end of 2008, and now faces the complex development needs of a middle-income country. More than 80% of ADB sovereign lending was through three policy-based operations, which advanced reforms in macroeconomic management, infrastructure provision, and decentralized public financial management.

Impact of operations. The Second Infrastructure Reform Sector Development Program sought to simplify infra-

Indonesia graduated from the Asian Development Fund at the end of 2008, and now faces the complex development needs of a middle-income country

structure investment and increase access to infrastructure services. The Fourth Development Policy Support Program introduced streamlined investment regulations and enhanced access to credit for small and medium-sized enterprises.

The Second Local Government Finance and Governance Reform Program supported decentralization, including improvement of regional autonomy and local governance; greater equity, predictability, and transparency in the release of fiscal transfers and shared revenues; and access of regional governments to own-source revenues.

The \$6.8 billion government-led reconstruction program to rebuild Aceh Province and Nias Island after the December 2004 tsunami neared completion. ADB grant assistance of \$300.0 million helped rebuild social and economic infrastructure and recover livelihoods and economic activities in rural areas. Poverty in Aceh dipped below the pre-tsunami level.

Lao People's Democratic Republic

Partnership priorities. The country partnership strategy for 2007–2011 is aligned with the Sixth Five-Year National Socio-Economic Development Plan (2006–2010) and promotes pro-poor sustainable growth by creating jobs through private sector development, fostering in-

TABLE 33 Southeast Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2008
(\$ million)

	OCR	ADF	Total
SOVEREIGN			
Cambodia			
Road Asset Management	–	6.0	6.0
Emergency Food Assistance	–	17.5	17.5
Financial Sector Program II Cluster (Subprogram 2)	–	10.3	10.3
Promoting Economic Diversification Program (Subprogram 1)	–	20.0	20.0
Indonesia			
Vocational Education Strengthening	–	80.0	80.0
Rural Infrastructure Support to PNPM Mandiri	–	50.0	50.0
Infrastructure Reform Sector Development Program (Subprogram 2)	280.0	–	280.0
Second Local Government Finance and Governance Reform Program Cluster (Subprogram 1)	350.0	–	350.0
Fourth Development Policy Support Program	200.0	–	200.0
Integrated Citarum Water Resources Management Investment Program – Tranche 1	20.0	30.0	50.0
Philippines			
Development Policy Support Program (Subprogram 2)	250.0	–	250.0
Agrarian Reform Communities Project II	70.0	–	70.0
Governance in Justice Sector Reform Program (Subprogram 1)	300.0	–	300.0
Viet Nam			
Song Bung 4 Hydropower	196.0	–	196.0
Ho Chi Minh City–Long Thanh–Dau Giay Expressway Construction	410.2	–	410.2
Greater Mekong Subregion Sustainable Tourism Development	–	10.0	10.0
Greater Mekong Subregion (GMS) Ha Noi–Lang Son, GMS Ha Long–Mong Cai, and Ben Luc–Long Thanh Expressways Technical Assistance	–	26.0	26.0
Health Care in the South Central Coast Region	–	72.0	72.0
Emergency Rehabilitation of Calamity Damage (Supplementary)	–	25.5	25.5
Support for the Implementation of the Poverty Reduction Program V (Subprogram 1)	–	25.0	25.0
Subtotal	2,076.2	372.3	2,448.5
NONSOVEREIGN			
Indonesia			
Bank Mandiri (Persero)	75.0	–	75.0
Philippines			
Acquisition and Rehabilitation of the Masinloc Coal-Fired Thermal Power Plant	200.0	–	200.0
Privatization and Refurbishment of the Calaca Coal-Fired Thermal Power Plant	120.0	–	120.0
Viet Nam			
Saigon Thuong Tin Bank (Sacombank)	25.0	–	25.0
Subtotal	420.0	–	420.0
Total	2,496.2	372.3	2,868.5

– = nil, ADF = Asian Development Fund, OCR = ordinary capital resources, PNPM = National Program for Community Development (Program Nasional Pemberdayaan Masyarakat).

ADB grant assistance helped reduce poverty in Aceh to below the pre-tsunami level

clusive social development, accelerating achievement of the Millennium Development Goals, and fostering good governance. The country operations business plan for 2009–2011 noted that implementation is on track.

Impact of operations. Despite severe flooding in August and high inflation rates, yearly economic growth was 7.5%, driven mainly by mining, hydropower, tourism, and financial services. The government's revenue collection in fiscal year 2008 (ending 30 September 2008) exceeded the planned budget by 11.0%. Headline inflation subsided from a peak of 10.3% in May to 3.1% in December and averaged 7.6% for the year.

TABLE 34 Southeast Asia: Cumulative Lending and Disbursements by Country as of the end of 2008
(\$ million)^{a, b}

	Lending	Disbursements
Cambodia	1,001.1	789.3
Indonesia	23,523.3	18,401.0
Lao People's Democratic Republic	1,211.3	1,134.3
Malaysia	1,997.5	1,414.0
Myanmar	530.9	411.8
Philippines	10,772.8	8,389.5
Singapore	181.1	144.4
Thailand	5,388.1	4,207.6
Viet Nam	6,294.1	2,633.7
Total^c	50,900.3	37,525.7

– = nil.

a Loan component of regional projects distributed to the countries.

b Includes nonsovereign (public and private) sector loans.

c Totals may not add up because of rounding.

The Private Sector and Small and Medium-Sized Enterprises Development Program Cluster, Subprogram 1 reduced business registration time and cost, and enhanced access to credit for small and medium-sized enterprises. Strengthened monitoring and evaluation of public expenditure programs directed the benefits of public expenditures toward the poor and raised the quality of public health care services. ADB-supported banking reforms lessened the economy's vulnerability to external shocks.

Malaysia

Partnership priorities. ADB discussed a new country partnership strategy with the government, aiming to relieve key development constraints as identified in the Ninth Malaysia Plan. ADB considered supporting the government's private financing initiative in the transport sector, and helping relevant agencies compile state statistics and use macroeconomic modeling. Under the BIMP-EAGA and IMT-GT initiatives, ADB continued to support greater transport connectivity and smoother trade with other countries in the region.

Myanmar

Partnership priorities. ADB supported the Tripartite Core Group, comprising ASEAN, the government, and the Unit-

FIGURE 9 Southeast Asia: ADB Lending by Country, 2007–2008
(Sovereign and Nonsovereign)
(\$ million)

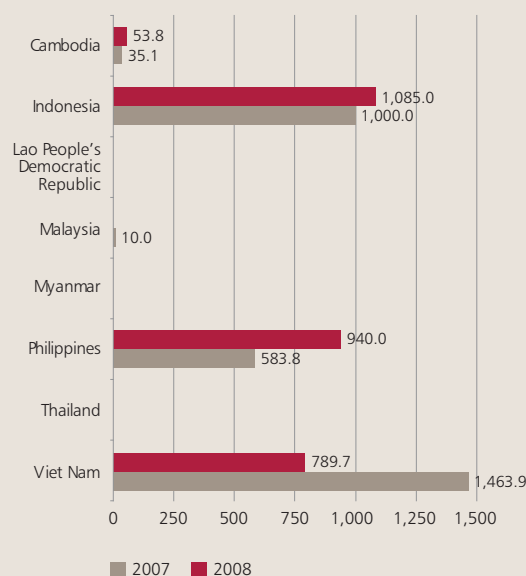
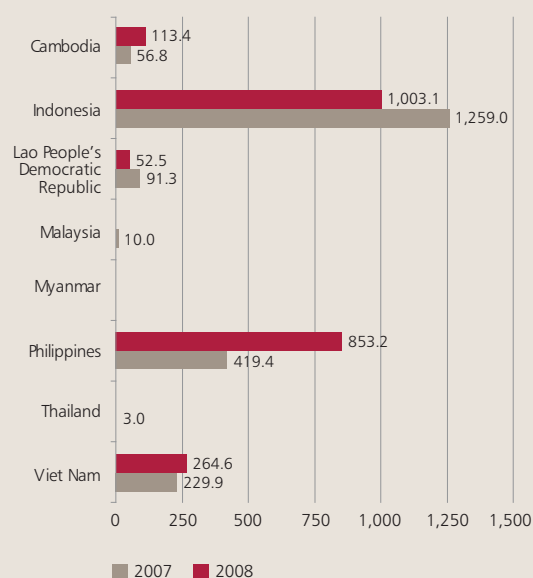


FIGURE 10 Southeast Asia: ADB Disbursements by Country, 2007–2008
(Sovereign and Nonsovereign)
(\$ million)



ed Nations, in assessing the damage following Cyclone Nargis. ADB continued to monitor economic development and will formulate an operational strategy when appropriate. Myanmar has participated in the major GMS meetings, in-

cluding the Third GMS Summit, and in some regional technical assistance projects. ADB approved the last loan projects in 1986 and the last technical assistance projects in 1987.

Philippines

Partnership priorities. The country strategy and program for 2005–2007 is aligned with the government's Medium Term

Philippine Development Plan, 2004–2010. The strategy and program emphasize fiscal consolidation, an improved investment climate, and accelerated attainment of the Millennium Development Goals. ADB and the government agreed on a country operations business plan for 2009–2010.

Impact of operations. ADB approved five sovereign and nonsovereign loans for \$940.0 million and 11 technical

Supporting Sustainable Tourism in the Mekong Region

The project helps local communities develop and manage pro-poor, community-based, socially responsible tourism

The Mekong Tourism Development Project, which began in 2002 with ADB support, helped improve and reconstruct the Louangnamtha Airport in Louangnamtha Province, situated on the North–South Economic Corridor that links the Lao People's Demo-

cratic Republic (Lao PDR) to the People's Republic of China and Thailand. The project also financed the rehabilitation of access roads to key tourist destinations, such as the Kuang Si waterfalls in Luang Prabang Province and Konglor Cave in Khammouan Province. Small-scale tourism-related infrastructure was built, benefiting residents and tourists. Local communities now own and operate some of these facilities. Tourist information centers near borders with neighboring countries in the Greater Mekong Subregion were constructed and tourist facilities at border posts were improved. These village-based activities are providing more jobs and income to the poor, and are helping conserve cultural and natural heritage and promote gender equity and the participation of ethnic groups.

The project is supported by three separate ADB loans to Cambodia, Lao PDR, and Viet Nam, amounting to \$35.0 million. The governments' contributions of \$12.1 million bring the total project cost to \$47.1 million.

The project has four components: tourism-related infrastructure, community-based tourism development, subregional cooperation for sustainable tourism, and implementation assistance and institutional strengthening. The loan component for the Lao PDR was completed in August 2008, while those for Cambodia and Viet Nam, which experienced initial delays, are continuing.

Small-scale tourism-related infrastructure was built, benefiting residents and tourists. Local communities now own and operate some of these facilities



Visitors dock at Ban Talee Nok village in the Andaman Sea in Thailand

ADB support strengthened and stabilized the capital market, deepening Thailand's integration with Asian financial markets

assistance grants for \$9.4 million. It supported policy-based operations in governance and justice reform, improving the investment climate, enhancing governance in public expenditure management, and reducing poverty and achieving greater social inclusion. These programs significantly helped fiscal consolidation. ADB also helped strengthen agrarian reform to benefit poor and marginalized groups in the target communities. The net resource transfer from ADB to the Philippines continued to remain positive (\$195.0 million). Performance indicators for active loans remained sound. Undisbursed loan balances were reduced, and the government paid significantly less in commitment fees. The portfolio had only one project at risk and more satisfactory ratings on overall performance.

Thailand

Partnership priorities. The country operations business plan for 2008–2010 reaffirmed that the country partnership strategy for 2007–2011 remains closely aligned with the government's economic and social policies and action plans.

Notwithstanding the political uncertainty, ADB's countrywide operations expanded. ADB public sector op-

erations emphasized greater private sector participation in financing the country's huge infrastructure needs, particularly through public–private partnerships. ADB support strengthened and stabilized the capital market, deepening the country's integration with Asian financial markets. ADB private sector operations also grew, primarily through the application of direct loans and credit guarantees to support private investments in energy.

Impact of operations. ADB continued supporting the implementation of an integrated ticketing system for the Bangkok mass rapid transit network. Three major technical assistance projects were completed. The first helped the government prepare a strategic development plan for southern Thailand. The second one provided assistance for implementing the capital market development master plan. The third project was designed to strengthen Thailand as a regional development partner.

Viet Nam

Partnership priorities. Fully aligned with Viet Nam's Five-Year Socio-Economic Development Plan 2006–2010, the country strategy and program for 2007–2010 expanded ADB operations through support to pro-poor, business-led economic growth; social inclusiveness; and environmental protection and management. Governance and regional cooperation were also key priorities. ADB helped increase private sector investment and employment through assistance to develop physical infrastructure; improve the business environment (encompassing reforms in regulation, state-owned enterprises, and governance); strengthen market institutions; and develop human resources. Regional cooperation through the GMS Program was promoted to develop cross-border trade and new economic opportunities in otherwise isolated border areas, and tackle cross-border concerns such as communicable diseases and adverse development impacts. In the face of rising inflation and current account deficit, ADB also provided reliable macroeconomic policy advice.

ADB helped prepare a national program to mitigate the effects of climate change on Viet Nam



Financed with a \$100 million ADB loan, the Second Education Development Project is improving access to formal education for 4.2 million children, and skills training for 3.3 million underemployed youth

Educating Viet Nam's Future Professionals

An ADB-supported education project is helping Viet Nam meet the labor demands of its booming economy

Inside newly built libraries in upper secondary schools in Lao Cai, scores of students can often be found each afternoon, poring over rented books and hunched over their homework. The schoolwork is difficult, says Nguyen Thu Trang, but fun.

The new libraries and books are part of a \$55 million project approved by ADB in 2002.

"The government's goal is to expand upper secondary education by 2010, focusing on industrialization and economic modernization," says Eiko K. Izawa, an ADB



Eleven provinces now have a new diversified curriculum, new textbooks and workbooks, and modern teachers' guides, giving thousands of Viet Nam's youth the best training to get better jobs

education specialist and the project leader. "Quality improvement is of highest priority."

Only one out of every three Vietnamese teens aged 15–17 years had access to upper secondary education, and ethnic minorities fared even worse. Disparities in enrollment were also significant between rural and urban areas, the poor and nonpoor, and boys and girls.

Today, in 22 disadvantaged provinces, over 800 new classrooms have been constructed, with about 1,200 more on the way.

"The classrooms have enough space for group study activities, and teachers can manage the lessons more effectively with the instructional materials and equipment provided by the project," said the Si Ma Cai No. 1 school principal.

The project is supporting the government's dissemination of a new diversified curriculum—along with the accompanying textbooks, teachers' guides, and workbooks—to 11 provinces. Over 8,500 teachers and 300 school principals have now been trained in student-centered teaching methods—far beyond the target of 2,700 teachers and 55 principals.

"Students can learn much more actively by this method," said Mr. Trinh Khac Binh, a math teacher in Si Ma Cai No. 1.

By project completion in 2009, Viet Nam will have over 100,000 new, skilled workers, and hence over 100,000 Vietnamese children will have been given a chance to fulfill their dreams.

The project has built over 800 new classrooms in 22 disadvantaged provinces

Impact of operations. A program cluster loan, financed jointly with several development partners, supported the government's poverty reduction program. The government undertook a midterm review of its poverty reduction program based on a results framework developed with ADB support.

ADB supported a number of projects to improve health services in provinces and districts and to strengthen the government's preventive health care system and communicable disease control. The Rural Health Project improved the quality of and accessibility to health care in 14 poor rural provinces.

ADB support in the transport sector helped combat infrastructure bottlenecks restraining economic growth. It also continued to reduce costs and improve connectivity with other GMS countries.

With other development partners, ADB helped prepare a national program to address climate change. ADB continued several ongoing initiatives to mitigate climate change. Analytical work included assessments of the impact of climate change and the rising sea level on Ho Chi Minh City and its economic impact on Viet Nam, based on the methodology of the Stern Review on the Economics of Climate Change issued by the Government of the United Kingdom.